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15 August 1984

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ECONOMISTS PROPOSE MEASURES TO MEET FOREIGN DEBT COMMITMENTS

Buenos Aires MERCADO in Spanish 5 Jul 84 pp 18-20

[Text] How should the economy be adjusted to pay the debt? What is the import of Alfonsin's address? These and other questions are answered for MERCADO by the economists Eduardo Setti (Justicialist), Rodolfo Rossi (Liberal), Roberto Lavagna (Justicialist) and Julio Cueto Rua (Democrat). The following are their statements:

Eduardo Setti: An adjustment must be made in the country's economic policy, even if the foreign debt problem did not exist. But we must consider what is meant by "adjustment." It has to be completely quantified and qualified. In other words, it cannot be a traditional adjustment, made through the policy on income and, as part of this, through wages; because we have been traversing this path for several years, with results that are obvious. When it is claimed that "the effort must be made by those who have more or who can do more," there must also be a definition of what we mean. So I think that the consumption profiles must be changed. And in this respect, I am referring to the consumption profiles of certain sectors of the population, the business firms' spending policy and their investment policy. All of this must be directed toward those sectors in which there are restrictions from the external sector, and in which there is a need to supply for regular consumption.

For purposes of enacting a viable economic policy, in the first place, a program must be determined which will have to be aimed at growth. This growth cannot be disorderly in each and every one of the sectors, but rather, it must be predetermined on the basis of the guidelines which I mentioned earlier. In this plan, the policy on income is of key importance, and I really believe that mutual coordination is inevitable.

At this point, I don't have the slightest doubt that there will be an agreement with the IMF, because in the letter of intent, despite a heterodoxical introduction, in the second part (the one citing the goals), it is the goals which the Fund normally requests, namely: a reduction in the fiscal deficit, limits on the expansion of credit in the private sector and, although it is not mentioned, the exchange rate is the Fund's third condition. Naturally, this cannot be published in advance; but, in fact, the measures adopted last weekend point in the direction of an adjustment in the exchange rate.

I have criticized Raul Alfonsin's address for arriving 8 months late, but the foundations of the economic policy that has been announced coincide with the Justicialist proposal made before the elections. Mention is made in it of a policy for growth; a fiscal policy that will penalize luxurious consumption and investment; a tax that it termed one on conspicuous show of wealth; mutual coordination; strong trade unions for that mutual coordination; and an impetus for exports. These are, in short, all measures that we have supported. So I don't think that the speech can be criticized. But he could be criticized for the fact that the measures adopted after the speech are not at all associated with it; because they are still the measures of traditional recessive adjustment, in other words, an increase in interest rates and a reduction in the expansion of the private sector's credit. It is, after all, a set of measures that will make the recession worse and that are part of the traditional policy.

Rodolfo C. Rossi: In the current emergency, the application of adjustments to the domestic economy is a priority. Before anything else, the state must reduce its size and its deficit. It must not only stop intervening in specific economic activities that belong to the private sector, but, essentially, it must stop acting upon other variables in the Argentine economy (interest rates, exchange rate, prices and wages), which distort the situation of the markets and seriously damage the national income. The state is the prime one to blame for the tax evasion, because with its negative intervention, it has caused the economic agents to protect themselves and operate with determination on the free markets which are misnamed clandestine.

To devise a viable economic policy, the implicit reduction of the state must be concurrent with an aggressive growth in the level of private activity. Internal interest rates will adapt to the restrictive money supply, coordinated with economic growth. In addition, the gradual elimination of the entrepreneurial state will contribute to a necessary restructuring and even a reduction in taxes, which would have to take place simultaneously with the cut in government spending. There is no solution for the balance in excessive government spending with a tax increase, because, as a general rule, the taxes are monetized and end up being inflationary or recessive. The state should have intervention only to reestablish the balance that would ensure the normal operation of the markets (not a change in the supply and demand). In this way, not only would domestic savings and productive investment grow, but general foreign investments would also quickly arrive in our country which, under these conditions, would be a land of heightening progress and evolution.

An adjustment with a drastic cut in government spending, a money supply geared to economic growth, incentives for private activity and freedom in the markets would obviously not be recessive, but quite the contrary. In this way, the country would leave the vicious circle of poverty, the center of which is state control of the economy, and would enter the virtuous circle of the creation of wealth and even of plenty.

As for the problem of the debt, I am convinced that there will be an agreement with the IMF and, subsequently, a refinancing of the foreign debt. The

inconsistency in the current situation is the fact that we have a really wealthy country, but one with very poor production and an uncertain future with its present economic features. IMF, as well as other international financing agencies, has no intention whatsoever of impoverishing countries. On the contrary, they are seeking the latter's balance and progress, through rational means; because their specific function is the search for international economic balance, avoiding obvious domestic economic and financial upsets. I appreciate the rationality and balance of our present constitutional authorities who will reject any type of decadent international isolation in their internal jurisdiction and in their final external conduct. Argentina does not exist to "live with what is ours." It exists to coexist with international technology and progress.

Roberto Lavagna: On a previous occasion I told you that what was needed was the formulation of a clearcut, consistent economic policy, and that the prime requisite for any economic policy is to devise an "objective" structure of relative prices. It is impossible to maintain the message repeated in several government offices to the effect that all claims are legitimate. I insist that in economy it is technically impossible to raise real wages, increase business profitability, improve the payment to annuitants, raise farm prices, increase livestock industry prices, avoid a drop in industrial prices, protect the spread of the financial entities, increase the public sector's rates and keep the exchange rate up to date. In dealing with the current situation, while waiting for deepseated changes that may, indeed, make these objectives compatible over the medium term, a choice must be made. If this is not done, the functional and sectorial bidding will be accelerated, and the immediate reflection of this will be on the inflation rate. In this respect, what is actually needed is an adjustment whereby a distinction would be made regarding the handling of relative prices, objectives would be clarified and the mutual coordination would begin on that basis.

In addition to what has been stated previously, it is obvious that the Argentine economy needs greater stringency in its handling, from the standpoint of severity, and that this will have to lead to the announced austerity. Nevertheless, it is essential to make it clear that austerity without structural changes will be of no use; it would be another proposal for "spending the winter," another one, which is not in keeping with the political options expressed by the majority on 30 October; not because the Argentine population has an "easy" attitude toward this serious, prolonged crisis, but rather because the sacrifices that any adjustment entails must be applied where they should be this time.

There are many Argentines who live using the developed countries (the U.S. and Europe) as a guide for reference: they live, dress, travel and think as is done in those countries; they "play" at being developed, but they pay taxes, or rather they do not pay, as in the most backward African economy. It is time to be consistent. Development is consistent with obvious rights and advantages, but it also requires meeting obligations, including compliance with taxes commensurate with high income and holdings, which is one of them.

Any adjustment implies tension, but the Argentine society can no longer avoid this adjustment phase. We have reached the end of a road of stagnation, from which it will be impossible to emerge by merely administering the crisis. Reforms and adjustments must be made, and the efforts must be well gauged. There will be an agreement with the Fund, and I hope that one of the things negotiated will be the arrival of tax experts from that entity in Argentina, to ensure the tax reform which is vital and to bring the example of the developed countries with regard to origin, progressiveness, etc. In other words, so that the Fund will not continue mistakenly also, looking only at reductions in wages and public spending, but rather will be somewhat more interested in the enormous internal inequalities that exist.

Julio Cueto Rua: Far more than an adjustment is required by the present state of our economy. Its thorough revision is demanded to improve the allocation of funds, to increase overall productivity, to accumulate capital, to expand exports vigorously and to modernize the productive system. For these purposes, it is essential that there be a reduction in public spending, a cut in the budget deficit, a decline in the tax pressure and an improvement in the conditions for competition, eliminating the inflexibility that is preceptible in productive processes and in the mechanisms for forming prices, as well as marketing.

I think that the adjustment should take on the features and scope of a substantial change in the economic policy, reversing the process of the state's increasing participation in the production and financing of commodities, leading to its gradual decline. The state must confine itself to its own specific functions: the definition of the groundrules, their effective application; providing security, health and sanitation; and prompt, inexpensive rendering of the service of the justice system. The state must stop being an entrepreneur and painstaking regulator of productive and commercial activities.

The aforementioned process of rehabilitation entails a transitional period, marked by austerity and sacrifice. This is inherent in any process for reallocating the community's resources: the labor is redistributed, generating frictional unemployment; obsolete equipment and machinery are abandoned, with the incorporation of advanced technology; and the processes of forming savings entail a reduction in the demand for certain types of consumption, harming those who had been offering them. However, this transitional process is bearable, because it does not last long if it is conducted with a clearcut idea of the ends to be attained, and the means required to win them.

An economic policy is viable only when the majority of the members of the community acquire an awareness of its necessity, accept their sacrifices with good will and chose the best individuals to execute it.

As for what the government should do in the event that an agreement is not reached with the IMF, there is only one answer: to achieve it with the creditors, for which purpose it is essential to provide proof of a serious, persistent,

efficacious effort to rehabilitate our economy, demanding the general sacrifices that this rehabilitation will have to require. That is the price to be paid for the lack of an agreement with the IMF: The poverty will be greater.

As for President Raul Alfonsin's speech last week, I consider it emotional, persuasive and timely. He underscored the need for confronting a period of sacrifices; but it was inadequate. He said or hinted little about the expedients whereby he proposes to overcome the present difficulties. The political and doctrinal differences within a democracy do not relate so much to the objectives, concerning which there is usually a widespread consensus, as they do to the means to be used. This latter point seems to have been ignored by President Alfonsin.

2909

CSC: 3348/501

SURVEY SHOWS SLIGHT EROSION IN PUBLIC SUPPORT FOR ALFONSIN

Buenos Aires SOMOS in Spanish 20 Jul 84 pp 56-59

[Text] A little over 7 months after having come to power, the government seems to be suffering the consequences of two factors important to its public image: the beginning of the erosion that always accompanies political activities, and the real difficulty of the issues that it must confront simultaneously: inflation, the foreign debt, relations with the trade unions and the Armed Forces, the search for political agreements and unresolved international conflicts.

The fact is that, in this new poll assigned by SOMOS to A & C Business Analysts and Management Consultants, President Alfonsin's positive consensus has declined: From the 66 percent of positive opinions that it obtained on 18 May (the date of the previous survey), it dropped to 59 percent in this latest gauge. This figure is comprised of 7 percent "very well" replies (to the question of how Alfonsin is doing his job) and 57 percent "well" responses. The "fairly" answers (which are not counted among the positive opinions nor among those rejecting either) remained constant: 26 percent.

In any event, the results proved to be far better for Alfonsin than for the different areas making up his government which, except for the one dealing with trade union matters, definitely declined in this latest poll. The difference between the positive figures (59) and the negative ones still continues to be very great insofar as the president's image is concerned, having totaled 8 percent again this time, exactly the same as in the polls of 30 March and 18 May. But the "don't know" answers which had been eradicated in the last gauge reappeared: 7 percent replied in that way to the A & C company's pollsters.

In brief: The overall formula which measures the variations in public opinion gives the president a figure 7 points under what he had on 18 May. This formula is obtained from the difference in positive opinions (7) added to that in negative opinions (0, because the 8 percent of the other gauge was maintained), and the difference in the "fairly" (0 again, because the 26 percent was retained). On the other hand, between March and May Alfonsin had gained 10 points for the overall formula.

Contrasts

The categories of "health" and "education" were odd: Despite the fact that they retained high numbers for positive opinions (43 and 38, respectively), they are two sectors which have lost a large number of points in the overall calculation. "Education" lost 21 in this latest gauge (a result of 11 fewer positive points, 13 more negative ones and three fewer fair ones); and "health," applying the same formula, lost 24 points. Both areas had already suffered heavy losses between March and May: 24 for "education" and 25 for "health." This is certainly because they are two items which aroused great confidence in the public in general at the beginning of the government, but which later faded quickly.

The "trade union issue," on the other hand, experienced quite remarkable and suggestive results with the passage of the polls. In May, the Senate had rejected the law on trade union reorganization, and the impact of this opposition upon the government was noted in the figures: The positive opinions dropped from 45 to 28 percent, and the overall formula showed a 39-point reduction on this issue. In this latest gauge, on the other hand (and most likely because of having started from a lower level), there was a recovery of ground: 7 points more. SOMOS was told by Esther Kaplan, A & C's public opinion director: "The handling of the trade unions received consensus. One can assume that the population understood that the democratization of the trade unions cannot be achieved by decree; and that so long as there are no guarantees by the state that every worker will be able to vote freely without being harassed by his opponent, it will be impossible to have democracy in the trade unions, because the voices of the silent majority cannot be heard."

The Matter of the Debt

A special angle can be observed upon analyzing the figures shown on the issue of the "foreign debt." In the March gauge, the topic was missing from the questionnaire. It appeared in the one for May, because by then it had become a subject for daily, pressing opinion: On that occasion, 33 percent said that the matter was being handled satisfactorily (between "very well" and "well"), and 23 had negative opinions. There was 22 percent replying "fairly", plus 22 percent whose response was "don't know," a very high percentage for an answer which suggests ignorance or indifference, as has been interpreted.

Now, the responses in favor have declined from 33 to 29, but the negative ones have also been moderated (from 23 to 20). The "fairly" replies increased slightly (2 points), and the "don't know" answer increased even more, reaching 27 points. All this gives an overall result of 3 points under the May figure, which does not represent a significant change; but the rise in indefinite answers does deserve to be considered. According to Kaplan, "the sizable 'don't know' category now appears to be harboring greater doubts, or merely lack of interest regarding the payment or non-payment of the debt."

The government's policy on the "Armed Forces" issue evokes an almost equal distribution of percentages among the three leading categories: 21 positive

Chart 1

	(1) 1 ^a Medición	(2) 2 ^a Medición	(3) 3 ^a Medición
(4) Muy bien	12	12	7
	→ 58	→ 66	→ 59
(5) Bien	46	54	52
(6) Regular	28	26	26
(7) Mal	6	6	7
	→ 8	→ 8	→ 8
(8) Muy mal	2	2	1
(9) No sabe	5	—	7
<div style="display: flex; justify-content: space-around; align-items: center;"> + 10 — 7 </div>			

Key to Chart 1:

1. First gauge
2. Second gauge
3. Third gauge
4. Very well
5. Well
6. Fairly
7. Badly
8. Very badly
9. Don't know

responses, 23 "fairly" and 24 negative. The A & C director remarks: "This is tantamount to saying that it does not enjoy good acceptance. Nevertheless, it is one of the topics that has lost the least consensus. An increase in the 'don't know' answers in this respect would also be indicative of greater disinterest in the matter on the part of the population." That margin of "don't know" replies increased considerably for the military issue since the Alfonsin government began: From 8 percent who answered thusly in March, the number jumped to 19 in May and to 32 in July; which means a quadrupling of the figures in only 4 months.

Half Saying 'No'

The "economy," key to the government's difficulties, has shown a low degree of consensus since the first measurements, and perhaps for this reason the subsequent declines for it were not so sizable (using the overall coefficient) as for other areas. In March, 100 days after Alfonsin took office, 20 percent of those polled approved of the economic measures. The rest were divided between those who replied "fairly" (the bulk, with 42 points) and those who rejected the management, with 31. In May, the positive opinions dropped to 16 percent, and the negative ones rose to 43; counting the "fairly" answers, the overall decline was 12 points. Now, after 7 months of government, the trend is continuing: The positive answers dropped from 16 to 14, the negative ones increased from 43 to 50 (this means that half of those polled flatly reject the economic policy), and the indefinite "fairly" group has again declined by 4 points. Adding and subtracting, the formula shows 5 points less than 2 months ago.

In the "housing" area, there are more people who consider what is being done to be bad (37 percent) than there are claiming to be satisfied (25); while the 27 answering "fairly" seem to suggest ignorance or disinterest regarding the matter. But in comparison with the previous gauge, a sizable decline is noted: 30 points in the overall coefficient. And, finally, in the "justice" area, the expectations, which were high in the previous gauge in May, have also declined: a total of 36 points lower. At the present time, based on the A & C poll, 33 percent of Argentines approve of what is being done by the government in this area, 32 percent answer "no" and 31 percent still seem to be waiting or undecided, answering "fairly." Just as in all the other categories, the subsequent polls will serve to calibrate the extent to which a declining trend is starting, or to indicate whether this is simply a traditional fluctuation in public opinion.

Chart 2

Chart 3

(1) Educación					(2) Justicia				
	2º Medición (3) Mayo 18		3º Medición (4) Julio 20			2º Medición (3) Mayo 18		3º Medición (4) Julio 20	
(5) Muy bien	8	54	3	43	Muy bien	(5) 6	50	2	33
(6) Bien	46		40		31				
(7) Regular	31		28		Regular	(6) 44		31	
(8) Mal	9	10	19	23	Mal	(7) 29		31	
(9) Muy mal	1		4		13	24			
(10) No sabe	5		6		Muy mal	(8) 2	15	8	32
					No sabe	(9) 6		4	
	- 21					- 36			

Key to Charts 2 and 3:

1. Education
2. Justice
3. Second gauge, 18 May
4. Third gauge, 20 July
5. Very well
6. Well
7. Fairly
8. Badly
9. Very badly
10. Don't know

Chart 4

Chart 5

Chart 6

(1) Salud (5)					(2) Vivienda (5)					(3) Deuda Externa (5)							
(4)		2º Medic. Mayo 18		3º Medic. Julio 20		(4)		2º Medic. Mayo 18		3º Medic. Julio 20		(4)		2º Medic. Mayo 18		3º Medic. Julio 20	
(6)	Muy bien	9	51	3	38	Muy bien	4	38	1	25	Muy bien	3	33	3	29		
(7)	Bien	42		35		Bien	34		24		Bien	30		26			
(8)	Regular	29		30		Regular	26		27		Regular	22		24			
(9)	Mal	11	14	19	24	Mal	16	21	22	37	Mal	18	23	15	20		
(10)	Muy mal	3		5		Muy mal	5		15		Muy mal	5		5			
(11)	No sabe	6		8		No sabe	15		11		No sabe	22		27			
<div>-24</div>					<div>-30</div>					<div>-3</div>							

Key to Charts 4, 5 and 6:

1. Health
2. Housing
3. Foreign Debt
4. Second gauge, 18 May
5. Third gauge, 20 July
6. Very well
7. Well
8. Fairly
9. Badly
10. Very badly
11. Don't know

(1)

Sindicatos

(7) **Muy bien**
(8) **Bien**
(9) **Regular**
(10) **Mal**
(11) **Muy mal**
(12) **No sabe**

1ª Medición	(4)	2ª Medición	(5)	3ª Medición	(6)
11	> 45	2	> 28	1	> 29
34		26		28	
21		39		35	
14	> 17	19	> 21	15	> 19
3		2		4	
15		12		17	
-39		-7			

Economía

(7) **Muy bien**
(8) **Bien**
(9) **Regular**
(10) **Mal**
(11) **Muy Mal**
(12) **No sabe**

1ª Medición	(4)	2ª Medición	(5)	3ª Medición	(6)
1	> 20	1	> 16	1	> 14
19		15		13	
42		38		34	
26	> 31	35	> 43	37	> 50
5		8		13	
5		3		2	
-12		-5			

Fuerzas Armadas

(7) **Muy bien**
(8) **Bien**
(9) **Regular**
(10) **Mal**
(11) **Muy mal**
(12) **No sabe**

1ª Medición	(4)	2ª Medición	(5)	3ª Medición	(6)
10	> 49	2	> 31	—	> 21
39		29		21	
23		23		23	
17	> 19	21	> 27	18	> 24
2		6		6	
8		19		32	
-26		-7			

[Key on following page]

Key to Charts 7, 8 and 9:

1. Trade Unions
2. Economy
3. Armed Forces
4. First gauge
5. Second gauge
6. Third gauge
7. Very well
8. Well
9. Fairly
10. Badly
11. Very badly
12. Don't know

2909

CSO: 3348/501

STUDENT FEDERATION HOLDS CONGRESS

Movement's New Image Noted

Buenos Aires LA NACION in Spanish 21 Jul 84 p 6

[Text] San Miguel del Tucuman--Walls painted with slogans of the Argentine University Federation (FUA) and noisy groups of young people are perhaps the only signs indicating the convening of that entity's congress to set standards in this town.

Not many people seem to have noticed this event in student life which has coincided with a large flow of tourists, brought on by the school winter vacation in other parts of the country. The reason for this may be that the alternatives offered by student union activity have not always been typified, on the national scene, by positions that have evoked great confidence. On the contrary, the facts indicate that the evolution of the university movement has generally been more identified with a different kind of event; and, as an example, we need only recall the activities during the 5-year period from 1970 to 1976, marked by chaos, disorder and difficulties in attending school.

But, despite the partial view that this section of the country can offer regarding the slight attention paid to the student spectrum, it is significant that, at the congress which has been under way since the day before yesterday, one notes an effort to attempt a revamping of the university movement's image.

The judiciousness is evident in the talks held by the leaders on the goals that are being sought. To be sure, in some instances this attitude is not completely reliable, considering the fact that the groups representing some of them, which are a minority within the overall group, have revived ideologies and obscure goals for which they resort to any strategy in order to attain them (this is a constant in the action of the political parties behind which they are aligned).

An Unceasing Zeal

The visits to the Agronomical Estate where the FUA Congress center of operations is virtually acting afford an appreciation of the fact that the youth's enthusiasm has become a characteristic feature of the meeting of over 1,000 delegates coming from different parts of the country, more than half of whom

belong to Franja Morada. The atmosphere present in those extensive facilities of the National University of Tucuman is disclosed to some extent by the large number of posters and signs that are displayed, as well as the profusion of flyers, attesting to the political excitement that has aroused the students. As a matter of trivia, one notes the informality of the young people's clothing, in contrast to the solemnity of the academic premises on which they usually operate.

Yesterday, when the echoes of the congress opening were still resounding, the commissions started working on the possibility that, at the end of the meeting, reports might be produced containing the FUA position regarding issues such as the national situation, and that of the universities in particular. The question of human rights also attracted the attention of the delegates with no less significance.

The Negotiations

There had previously been a report from FUA's outgoing president, and the expansion of nominations to fill the honorary presidency of the congress was considered.

At the same time, the negotiations continued at a fast pace, among different groups, to fulfill the mutual desire to form a single list, that would enable their members to be proclaimed in tomorrow's voting as the supreme authorities of the board and executive body of the university federation.

Attention has converged on the independent groups (except for those identified as being of the center and the right) which, as we had anticipated, came out in support of the Peronists, Communists and, in particular (as was learned yesterday) Intransigents. Nevertheless, one rumor claimed that the independents would unite in support of the opportunity to be represented directly in the federation. The Humanist Movement, for its part, appears to be an unknown quantity with regard to the strategy to be followed because, owing to the small number of delegates that it has gleaned, it has no direct chance of being represented in the FUA.

In a separate discussion with LA NACION, the Justicialist leader Miguel Talento remarked that there is among the partisan student organizations a strong prospect for unity, and hence the presumption that they could not offer a homogeneous front after the differences that exist among them has started to be dispelled.

Franja Morada Controls Majority

Buenos Aires LA NACION in Spanish 21 Jul 84 p 10

[Text] Elections were held in the School of Medical Sciences of La Plata National University for the Student Center, in which Franja Morada won by 2,217 votes, as opposed to 274 for Justicialist Line and 167 for the Alejandro

Korn Group (Socialist). In the School of Engineering at the National University of San Juan (the largest academic unit in that educational institution), the independent Group ERGIO gained control of the leadership of the student center and, in this way, that sector assured itself domination of the centers in all schools.

In the Schools of Economic Sciences and Agronomy at La Pampa National University, the elections held to replace the centers' authorities were won by the Franja Morada tickets. At the National University of the Coast, the same Radical group won a majority in the Law School center. In these elections, the student Marcelo Garcia, who will presumably be the organization's chairman when the national congress takes place in Tucuman from 18 to 23 July, emerged as a delegate to the Argentine University Federation. Franja Morada gained control in all the Coast University schools except for that of economic sciences, in which the independents won.

Moreover, at the La Rioja Provincial University, Franja Morada also gained the leadership of the student center in the Psychology-Teacher Training School.

At the Argentine Business University, the Unity and Participation ticket, which was the only one to run in the elections, won the School of Engineering student center.

Following statements made by leaders of University Convergence (CU), a misunderstanding arose concerning the leadership of the Veterinary School student center; which was cleared up yesterday by that association's chairman, Javier Carrillo, who is a member of that group, aligned with Franja Morada.

Carrillo pointed out that he had been suspended from holding his post for the present, on this account, and that his resignation would be requested at a meeting to be held soon. He added that other CU leaders had also been prevented from acting.

Carrillo, who was accompanied by the head of CU, Osvaldo Rasines, explained, specifically, that there is no Franja Morada preeminence in the center, since the leadership has been distributed equitably with other student groups and that the gains made by CU "are in the entire center." He stressed the fact that the good coexistence among the groups was precisely what made that possible.

Majority Report Approved

Buenos Aires LA PRENSA in Spanish 24 Jul 84 p 7

[Text] Tucuman (NA)--The congress of the Argentine University Federation elected the leader of the Franja Morada Radical group from Santa Fe, Marcelo Garcia, as chairman of the student organization for the 1984-86 term, along with a board of representatives consisting of 19 members.

The FUA assembly ended here the night before last, after 5 days of deliberations, and the composition of the student organization's leadership was established with 10 members from Franja Morada, three from the Peronist group, two from the Popular Socialist group, two from the Intransigent Party and two from the Communist group.

The congress decided to expand the number of members on the board of representatives from 14 to 19 members, to make room for the Peronist delegates; while the nine appointed to the board of directors (including the chairman, Marcelo Garcia, and the secretary general, Victor Sipolla) belong to Franja Morada.

Over 4,000 youths attended the closing of the FUA congress, the first one after 9 years of inactivity, which, with the participation of 1,154 delegates (591 of whom belong to the Radical Franja Morada), decided on the political integration of all the political movements represented into the board of directors and the executive body of FUA, except for the Movement Toward Socialism [MAS], the Labor Party [PO] and the Popular Leftist Front [FIP].

The congress approved a majority report established by those parties on the current national political situation, which was rejected by MAS, PO and FIP by means of various minority reports and other statements on international policy, university policy and human rights. The latter was rejected by 25 delegates from the Christian Socialist movement, the majority of whom are associated with the Humanism and Liberation movement.

Self-Criticism

While the majority parties underscored a self-criticism of the student movement for its participation in the 1930 and 1955 coups d'etat, and came out in favor of paying "the legitimate foreign debt," in the area of human rights they backed the action of the National Commission on Missing Persons, and criticized a "certain amount of slowness" in the trials started by military courts.

Garcia, chairman of the Santa Fe Student Center, will replace Roberto Vazquez (the present council member in the federal capital), whose term was in fact extended from 1975 to 1984, as head of FUA.

The document prepared by the Radical majority (over 500 delegates), Popular Socialists, Communists, Intransigents and Peronists (in that order of representation at the current congress) came out in favor of the investigation and payment of the legitimate foreign debt, while the delegates from the three minority parties submitted three different reports to the congress' commission on national policy which agree upon not paying the debt.

The commission's majority report reflects on the "enormous harm" inflicted on "the cause of democracy, and national and social liberation" by the experience of student movements which supported the 1930 and 1955 coups d'etat.

That report, which depicts Argentine political history up until 1983, received the backing of the minority delegates who, nevertheless, expressed opposition to the majority report on the current national situation since 1983.

The majority report states that Gen Leopoldo Galtieri's government embarked on the Malvinas Islands war "to keep the dictatorship in power," and acknowledges the "people's generous support" for the cause of sovereignty over the Malvinas; while FIP voiced opposition to that determination, owing to its well-known position of regarding the landing of 2 April as an historic feat, regardless of the government which promoted it.

MAS, for its part, called for a minimum wage of 24,000 pesos, opposing the presence of former President Maria Estela Martinez de Peron in the country, as a signer of the "act of agreement"; while PO maintained that, "within 20 days 100 percent of the International Monetary Fund's requirements will be accepted."

The congress, which culminated with the premise of the FUA leadership's political integration in the various partisan movements (although retaining the Radical majority), after 9 years of student inactivity as an organic sector of national life, was opened last Thursday with over 1,000 delegates in attendance at the Belgrano Club.

From early the day before yesterday until the afternoon, uncertainty prevailed concerning the Peronists' decision whether or not to join the FUA board of directors (15 members) and its executive body (five members).

The Peronist youth leader, Dante Gullo, attended the congress, and met with Justicialist student delegates to promote the position of joining the board; and a division of the 100 party delegates into three sectors was noted: one, upholding the human rights cause, another identified with JP (Peronist University Youth) and still another known as the Federation of Peronist Student Groups.

The political debate had begun on Saturday, directly, with the MAS and PO rejection of the report submitted by the outgoing chairman, Vazquez, on his performance during the 1975-84 term, and the abstention of the 200 delegates representing PI [Intransigent Party] and PO.

Nevertheless, the report was approved by the over 500 delegates from Franja Morada, which retains an almost absolute majority of the student movement.

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CSO: 3348/502 A

CHILE

ARMS MANUFACTURER PREDICTS SIGNIFICANT GROWTH

Santiago ERCILLA in Spanish 27 Jun 84 pp 51-53

[Interview with Carlos Cardoen by M. Isabel Fernandez]

[Text] He says that his first arms sale to Iraq was closed very simply, like this: "I bought a ticket, took a plane, and offered them what I had... It was that simple." As a result of this first contact, last March the first Iraqi Airlines plane landed at Pudahuel airport. Then, surrounded by strict security checks, and in an atmosphere of mystery and suspense, it departed on its return flight, loaded with sophisticated weapons and modern "cluster" bombs.

Last Wednesday, the visit was repeated. As soon as the engines of the huge Boeing 747 with the white and green markings of the Iraqi airline had stopped, a mobile structure specially designed for loading heavy containers into the plane's fuselage drew up to its side. In just a few hours the plane took off, carrying another powerful cargo of red and white bombs with the inscription "Cardoen S.A." on their sides.

The question comes quickly: Why are these arms shipments surrounded by so much mystery? Specifically, last March when the first plane came, its arrival was not officially admitted. If this is indeed a business deal "like any other deal," as you have said on other occasions, why is there so much suspense involved?

[Answer] When arms are involved, when a country in a state of conflict is involved, it is necessary for these negotiations to be handled with proper discretion, to protect the safety of the people involved. Then discretion gets confused with mystery. There is no mystery about us. We are a company that manufactures weapons. There is no mystery at all. I have invited you, and I am ready to welcome any other journalist who would like to see and hear in detail what we are doing.

He then added, quite emphatically; "I consider it my duty, and the duty of this company, to let all Chileans know what is being done in this field, since it is something that involves the entire nation, and I believe it involves the country in a very positive sense, as it gives Chile a position as a producer of defense materiel that we did not have in the past. In economic terms, it is even more important for Chile. We are bringing in foreign currency that is being generated by a totally different type of item. This means real, new, and fresh income for Chile. And finally, we are giving jobs, directly or indirectly, to hundreds of people, at a time when unemployment is an ongoing problem."

[Question] But going beyond the economic benefits, some people maintain that selling arms to a country in a state of conflict compromises the neutrality of the country selling the arms. What do you think?

[Answer] I would say that is an extremely shortsighted view. Chile has the right to make and sell its products to anyone who wants to buy them, as the developed countries in this market do. I believe that we are in no way shifting the balance from one side to another. We are not in a position to do that. That is up to the countries involved in the conflict.

From Rags to Riches

He likes to talk bluntly, without evasions or nuances. He is proud of the success of his company which, in its barely 6 years of existence, has reached such a solid technological and commercial level that they can now plan on selling arms to the United States in the not very far distant future.

Carlos Cardoen Cornejo, 42, is married and has six children. He says that the key to his success lies in having applied a maxim he has believed in ever since he was very young.

"I have always said that to achieve an industrial objective, you need three things: an idea, capital, and above all else, the desire to succeed. For you can buy an idea; that does happen. You can try to borrow capital; but the desire--that you can not borrow or buy. That is your own."

For him, the desire seems to have always outweighed everything else. Born and raised in Santa Cruz, Colchagua, where his father manufactured farm machinery, he attended the local public school before transferring to the Barros Aranas Boarding School.

He then entered--attracted by numbers--the engineering school of the Technical University. In a short time, he traveled abroad to earn a masters and doctorate, also in engineering. There he was hired by a U.S. explosives firm, and held the position of vice president for the Latin American area, a job that brought him back to Chile. But the desire to make things on his own led him to take a step toward independence.

"I sold my plane, I sold my house, I sold absolutely everything I had. I got together \$50,000. Then I went to the bank and said to them: 'I have this amount of money; I need you to lend me the same amount.' And they did. I went in in 'rags' and came out in 'riches.'"

That was in 1977. The company got off to a good start. It invented a new explosive and sold it to Chuquicamata. It was so effective that it revolutionized this field, and it came to be in demand for other large mining projects.

The year after that, Chile became involved in a virtual state of conflict with Argentina, and was confronted with the arms embargo imposed by the United States. As it did not have the resources that were essential for its defense, the government appealed to different companies indirectly connected with arms to try to solve the problem.

"I hired a German arms expert who developed a first antitank mine. After testing by the army, our model was accepted. We shared our idea with a series of national industries, so they could produce components for us. Our job was to keep up the pace, like the conductor of an orchestra leading musicians who are all playing something. In a short time, some other countries started to ask us for other things, and so we started moving away from explosives to other areas of defense."

"If It's Chilean, It's Good"

Today Cardoen S.A. is in a period of strong growth, and it is aiming primarily at the export market. To explosives it has added the manufacture of armored cars, and the already mentioned cluster bombs. Within 2 years time, the company plans to include combat helicopters to their catalog. These helicopters are now in the design stage. The company employs 600 people directly. They work in three large operational centers: Iquique (armored cars); Santiago (central offices), and Macul, where they make everything else.

[Question] Given the truly amazing growth of your company, people ask several questions. First of all, how can a company that is so new and so small have managed to enter the market of the major international powers, and achieve a good deal of success in such a short time?

[Answer] Being a small company in this market has great advantages. We move faster. We respond more rapidly to needs, and we are much more inclined to do things than the bigger companies are. We react like a mouse moving around between a pachyderm's legs. I have always liked the saying that a camel is a horse designed by a committee, meaning that every time a large group of people makes decisions, things go wrong. We have this advantage over the great powers. That explains what we have done in such a short time.

[Question] But how have you managed to attain such a competitive technological level in 6 years, to the point that you can say that in a short time you could be ready to offer your products for sale in the United States?

[Answer] Well, who ever said that the North Americans or Russians have a monopoly on intelligence or creativity? There certainly is creativity here! And there is also intelligence here! Why should people be surprised that we are capable of doing things? Why? This means that we are just secondrate people. That is the basis of Chilean mediocrity. That is the basis for thinking small. Mediocrity and limitations are nothing more than under the skin of the person who feels mediocre or limited. Nothing else. I don't feel either secondrate or small. I believe that with my company I will be able to sell products to the United States. That is my challenge.

He added: "Defense is nothing more than applied engineering. It is pure reasoning, pure technique. And we handle that pure technique in different ways. One way is creating everything that can be created and another is buying everything that can not be created. In the case of our most advanced items, there is no foreign technology purchased or used. These products are clearly of Chilean design. This technology is known. The very concept of the cluster bomb is something well known; we didn't invent it. What did happen is that we made a bomb that is more efficient and cheaper than the bombs produced in other countries."

New Markets

[Question] What parameters have an impact on keeping costs down?

[Answer] Cost is directly related to design. If the design is expensive, the product will also be expensive. We try to make a competitive product. It generally happens in the technical field all over the world, that there is an excessive degree of complication that is not justified. Things constantly become more difficult to use. This complexity makes them more expensive, but not more efficient. It has happened that this very "modern" equipment which some countries have used in conflicts right away has had problems, rendering it unusable. That is the point. We take the old, basic concepts of things that work, and we apply them, without moving to more difficult levels. What is important is that they work and that they work well. That is why we have low costs and efficient designs.

[Question] From that point of view, are the products that you make designed for a specific market?

[Answer] Of course. We want to reach those countries which have limitations and capacities similar to our own, and which need simple, efficient, and cheap defense materiel. The Third World countries are our principal target. They have limited defense budgets and troops that are not going to want to handle hyper-complicated weapons systems.

[Question] Aside from Iraq, do you have any other firm sales with other countries right now?

[Answer] We have traveled over half the world. We have taken part in a number of fairs and international centers, competing side by side with the great powers, who also have a complete political and diplomatic network trying to sell their products. Right now we are in negotiations with a number of Middle Eastern countries. There are some specific negotiations involving testing going on with other countries. They involve nations such as Egypt, China, and some others, in which the negotiations are still at too early a stage to talk about a firm sale.

[Question] In closing, given your company's rate of growth, do you think it could in the not very distant future become, if not the major source of income for Chile, at least the provider of its "allowance"?

[Answer] That would be overly optimistic. But I am not afraid of the future or of challenges. Let's look at some figures. Brazil exports about 1 billion in arms a year. We are going beyond that. Within the next 2 years, we are going to be among Chile's five or ten leading exporters, including copper exports.

CHILE

CONGLOMERATE BHC AGREES TO LIQUIDATION OF ASSETS

Santiago EL MERCURIO in Spanish 7 Jul 84 p B1

[Text] The agreement entitled "Vial Castillo Javier et al, Bank of Chile et al," which has begun to be signed in the offices of the attorney Raul Undurraga Lazo, covers a total of 42 doublespaced typed pages. "Economy and Business" yesterday had an opportunity to review this document.

The first 14 pages of the document contain a detailed listing of the individuals, businesses, and creditors who will have to sign the document, in order to make this agreement official. In this document, the members of the BHC group agree to turn over the group's assets to their creditors.

The list of persons cited is headed by Javier Vial Castillo himself, followed by Joaquin Figueroa Puga, Gustavo Palacios Garces, Cesar Sepulveda Latapiat, Sergio Molina Benitez, Augusto Edwards Hurtado, Manuel Castro Cuevas, and Rolf Luders Schwarzenberg. All these persons are listed as representing themselves, and the agreement describes them as the "owners."

Then follows a list of representatives of 113 businesses and companies affiliated with the BHC group. Among these are: Inversiones Latorre, Inversiones Genova, Inversiones Moneda, Inversiones Baluarte, Inversiones El Plomo, Inversiones Las Heras, Inversiones Almahue, Sociedad Fabrica de Pilas Secas Ltda, Comercializadora El Corregidor, Inmobiliaria Parque Residencial Portal de Pirque Ltda, Sociedad de Inversiones Hoteles del Sol, Arica, Inmobiliaria Ahumada No 370, Inversiones Huelen, Inversiones Las Nieves, Inversiones Valle Central, Minera Panguipulli, Grupo Inmobiliario Metalurgico GIM Ltda, Inversiones F. y H., Impresas Mineras BHC, Pesquera Eicomar, Prodal, Compania de Seguros BHC, CTI, Coresa, Somela, Ipac, Staudt del Ecuador, Indus, Aceites y Alcoholes Patria, Vina San Pedro, Inforsa, Forestal Crecex, Egasa, Isapre Luis Pasteur, Administradora de Fondos Mutuos BHC, Financiera Atlas, and many others.

Also listed are representatives of the following banks: the Bank of Chile (Alvaro Valdes and Guillermo Tagle); Santiago (Julio Barriga); Concepcion (Cecil Chellew); BHC in Liquidation (Gonzalo Prieto); and the Banco Andino (Aldo Ceppi).

Objectives of the Agreement

According to section one, "it is the objective of this agreement to obtain payment of the obligations which the banks hold against the companies" affiliated with the group. It also states that the businesses, owners, and banks "promise to enter into agreements" in which the "debtor companies will turn over all their assets to their creditors, in order to "assign the proceeds of this liquidation to the payment of the debts held by these creditors."

The document further states that "in these agreements it will be stipulated that any part of the debts that can not be paid with the proceeds of the liquidation of these assets will remain recognized as the balance owed by the respective debtor company."

A maximum period of 6 months is stipulated as the period in which these agreements must be made.

In section one, the owners of the BHC conglomerate "attest that Messrs Gustavo Palacios Garces, Augusto Edwards Hurtado, and Manuel Castro Cuevas were not members of the executive board of the BHC group, which was the top joint management authority of this group. These persons felt it of use to participate in this statement, because the rights and shares which they own, combined with the rights and shares held by the other owners, do contribute to full control of the group."

Another provision in the agreement states that "each and every one of the owners assumes the position of a co-maker and co-debtor with joint liability and responsibility with the companies" for all their obligations currently contracted or which they may contract in the future in relation to the banks.

Commission

Section eight calls for the creation of a commission, to be composed of the banks, which will appoint five official representatives and five alternate delegates. In addition, the group will have a representative "with voting rights."

The commission's primary objective will be "to obtain payment of the debts owed by these companies to their creditors," and the commission will have broad authority to do so. Among other prerogatives, it will appoint the group's member companies' directors and executives, and "will be able to order, acting on its sole authority, the liquidation of any tangible or intangible asset of these companies."

It is further stipulated that "the fee paid to the banks' representatives, together, will be equivalent to 1.5 percent of the value of the assets being liquidated in accordance with this agreement, with a monthly minimum of 315 UF [Development Units], and an annual maximum of 7,460 UF. The fee thus determined will be distributed among the banks' representatives sitting on the commission, by mutual agreement between these persons and the banks."

After several pages listing the broad powers of this commission, it states that the present agreement will have a duration of 4 years, and will expire before that time if, among other things, "the owners take any action designed to impede the functioning of this agreement," or if, "in the judgment of the arbiter, it is determined that there are other companies forming part of the BHC Conglomerate" which have been omitted from this agreement.

Mr Pablo Langlois Delano was named as the arbiter. If he does not accept or wishes to resign this position, he may be replaced by Claudio Illanes Rios, ARmando Alvarez Marin, or Fernando Mujica Bezanilla.

Handling of Litigation

Section 15 of the agreement stipulates that "the parties do not renounce any legal actions in which they are now engaged or which they may undertake against each other in the future, whether of a civil or criminal nature." It is also expressly stated that "individuals signing this agreement may not excuse, by the sole fact that they have entered into this agreement, any eventual liability which may be attributed to them, nor may they allege, based on this sole circumstance, that they are not responsible for any actions attributed to them in any future petitions or litigation."

The members of the BHC group have appointed Joaquin Figueroa as their official representative on the commission established, and Gustavo Palacios as their alternate delegate.

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CHILE

RESCHEDULING WILL HELP 420,000 PRIVATE DEBTORS

Santiago LA NACION in Spanish 7 Jul 84 p 7

[Text] The debt rescheduling programs for the production, consumer credit, and mortgage credit sectors will cost approximately 70 billion pesos--35 million Development Units.

This information was released yesterday by the president of the Central Bank, Francisco Ibanez Barcelo, who said that these three mechanisms--which he estimates will be in full operation before the end of this month--will help about 420,000 debtors.

Ibanez cited the principal features of the debt rescheduling program for the production and consumer credit sectors, and also discussed the basic aspects involved in rescheduling mortgage credits, whose full regulations we have published on page 11 of today's edition.

The bank executive indicated that debt rescheduling for the production sector will help about 150,000 borrowers with loans from banks and other financial institutions; it covers debts in both Chilean and foreign currency.

He added that this system includes the rescheduling of these debts with maturity dates between 5 and 15 years, with a 2 year grace period for capital amortization. These loans are subject to a 5 percent annual interest rate due for the first 2 years; 6 percent interest for the next 3 years; and 7 percent a year starting with the sixth year.

For consumer credit, the mechanism will help about 220,000 borrowers from banks and other financial institutions; it includes debts payable in both UF [Development Units] and in foreign currency.

The system will enable 100 percent of the debts contracted before 1 March 1983 to be rescheduled, and may also include up to seven overdue installment payments in the extension of the maturity date.

Ibanez said the mortgage credit rescheduling program will help about 50,000 borrowers, and will be able to include up to 24 overdue payments in the extension of the maturity date.

He indicated that the use of these three systems will definitely resolve the problem of excessive indebtedness on the part of individuals and small and midsize businesses, for "they include all or a large proportion of their obligations to the financial system, and carry terms and interest rates appropriate for the nation's current economic situation."

Bridging Credit

In addition, the Central Bank president stated that new projections will have to be made for the balance of payments in the second 6 months of this year; a loss of reserves close to US \$200 million is now expected. This adjustment has become necessary as a result of the increase in international interest rates and the decline in the price of copper, which yesterday hit its lowest level.

At the same time, it was reported that to date about US \$260 million has been paid as a bridging credit granted by the BIS (Bank of International Settlements), whose headquarters are in Basel, Switzerland. The ceiling set for this credit is a maximum of US \$550 million.

The transfer of the first installment of the US \$780 million credit recently granted by the international bank has made the payment of this bridging loan possible.

On the subject of the negotiations with the International Monetary Fund designed to introduce greater flexibility in the agreement signed concerning increasing the treasury deficit as a percentage of the PGB [Gross Domestic Product?] by 0.8 percent, it was reported that a commission made up of the budget director, Luis Arturo Fuenzalida, the director of operations of the Central Bank, Fernando Escobar, and the economists, Juan Andres Fontaine and Claudio Pardo will handle these discussions.

In closing, Ibanez said that the possibility of applying for compensatory credit from the IMF will have to be discussed with the minister of finance, when he takes part in these talks.

CHILE

ONE MDP LEADER EXPELLED, ANOTHER ARRESTED

WA311455 Rome IPS in English 24 Jul 84

[Text] Santiago, 24 July (IPS)--Chile's military government expelled one political leader today and arrested another on charges of disrupting domestic peace.

The two politicians are Juan Parra Sepulveda, leader of the opposition Popular Democratic Movement (MDP), which groups leftist political parties, and Osiel Nunez, MDP acting secretary general.

Meanwhile, police continued to search for two other political leaders, one of them an MDP official, who have been ordered out of the country.

In all the cases, the military government is invoking Article 24 of the constitution, which gives the regime power to take action against people accused of "violating domestic peace."

The political parties reject the constitution, arguing that the 1980 plebiscite which approved it was held under restricted political conditions which make the charter invalid.

Parra was arrested last week and held in a police headquarters, and was taken from there to the Santiago Airport today to leave the country.

Nunez was arrested after a press conference today in which he announced a rally for 26 July to protest "repression" by the military government.

A coalition of moderate political parties, the Democratic Alliance (AD), yesterday called a 2-day protest for 4-5 September and a 24-hour strike on an undetermined date to demand a return to democratic rule.

The MDP announced today that it will actively support the September protest, and called on supporters to join in the rally 26 July to demand repeal of Article 24 of the constitution.

Last weekend, more than 700 trade union leaders in Santiago agreed to call a general strike to protest the military government, and University Student Federations' meeting last weekend approved a university strike to protest the regime.

The opposition political, trade union and community groups staged monthly protest days last year beginning in May to demand a return to democratic rule.

Police took a hard line against demonstrators, and about 100 people were killed, hundreds were wounded and thousands were arrested.

The military government under President General Augusto Pinochet, which took power in a violent 1973 coup, vows to remain in office until 1989.

The AD has launched an initiative to join the various opposition groups in an offensive against the government, and AD President Enrique Silva Cimma said last night that a council of organization leaders is planned for 11 August.

Regional meetings will be held on 19 August to hear public views on the Government, he said.

Silva Cimma said that under the military government, Chileans feel that their problems are insurmountable, which has caused "chaos, bitterness and despair."

He said that the demonstrations in September are planned for 2 days because of the "magnitude of the rallies and the significance of the protest."

The demonstrations will be "patriotic and peaceful," according to the opposition leader.

Police Chief Cesar Mendoza told reporters today that "the government is prepared" for the September protests.

Meanwhile, Msgr Ignacio Gutierrez, the Catholic Church's "vicar of solidarity" who heads church human rights activities, said today that Chilean Catholic leaders are "concerned over the high cost in human lives that the social conflicts are causing in Chile."

CSO: 3348/500

DOMINICAN REPUBLIC

PRESIDENT DESCRIBES 6-MONTH SHADOW AGREEMENT WITH IMF

Santo Domingo LISTIN DIARIO in Spanish 21 Jul 84 p 11

[Text] Last night, President Salvador Jorge Blanco enumerated the gains to be accrued from the shadow agreement, noting that, upon its termination, and on the basis of the results shows in the Dominican economy during 1985, the government and the International Monetary Fund would begin talks to determine the feasibility of arranging a different type of agreement.

Jorge Blanco gave a lecture to the Dominican Association of Economists, at the Dominican Concorde Hotel, to close Economist's Week.

Following is the text of the address:

"Upon arriving in the presidency in August 1982, we dedicated ourselves to assuming responsibilities. Perhaps a greater understanding will result from this dialogue if we dispassionately analyze the economic structure that we inherited at the end of 1982.

"We inherited a bankrupt government with a weakened currency and bank credit on the international level that was virtually cut off. There is no doubt that this situation originated with structural factors resulting from domestic economic policies that had been mistakenly applied in the past, and also with the low prices that our leading export products have had, as well as our dependence on oil imports.

"As a small country dependent for 85 percent of the oil imports for generating electric power, and for 100 percent of automotive transportation, we are forced to take precautions against the new hydrocarbons crisis that appears to be approaching.

"We must create an awareness of the fact that fuel consumption has to be carried out more rationally, because if we do not produce oil we must not waste it. But even if we did produce it, we should not consume it irresponsibly either, because it is a non-renewable resource which cannot be reproduced once it has been extracted from the bowels of the earth.

"From the first upheaval caused by the hike in oil prices during 1973 until the present, the Dominican Republic has avoided the painful adjustment process

that the circumstances requires. But that was possible only at the expense of consuming the international reserves of foreign exchange that were left to us, depleting our credit capacity abroad and postponing the measures to streamline consumption and replace energy sources that we should have carried out.

"We have paid heavily the cost of not having suitably raised the prices of petroleum and its by-products at the proper time, when the increases in world prices occurred; because, by maintaining a subsidy for imports, we also maintained, without being fully aware of it, a penalty for exports, and hence the most dynamic source of employment in our economy, namely, exports, could not grow, nor offer employment to thousands of Dominicans who are now without jobs.

"The conclusion from all this is that the country is not generating the foreign exchange that it requires to continue feeding the imports that it is making; although it is also true that, unfortunately, part of that foreign exchange that has been generated has remained abroad, swelling bank accounts which do not produce any benefit for the country and which deprive it of chances for development.

"The Dominican Republic is not in a position to continue allocating nearly 60 cents out of every dollar from its exports merely to pay for oil, and 40 cents out of every dollar from its exports to pay its foreign debt. The current figures and the projections of the foreign debt are indicative of the critical nature of the Dominican situation. For 1984, the service on the foreign debt, in other words, the payment of the amortization of the principal and the interest, amounts to \$711 million, with that debt service representing 45 percent of our exports, and remaining at levels close to 40 percent during this entire decade.

"The temporary solution to the foreign debt problem is to restructure it on long terms, so that its maturity will be geared to the foreign exchange income that the country will generate. That effort for renegotiation will begin with the creditor countries combined in the Paris Club.

"The policies for 1984 were devised to reinforce the adjustment program that we have been carrying out, and thereby to finish correcting the distortions that are upsetting our economy.

"The goal is to achieve stability on the exchange market in 1984 and 1985; something which constitutes a prerequisite for stopping the price hikes that have occurred.

"It is vital to make the exchange rate on the free market decline substantially during the next few months, because that will make it possible to cut the prices of agricultural input and medicines.

"The instruments available to attain this goal are, in the first place, a fiscal policy geared firmly to a reduction in the deficits and rationalization in the use of public sector funds, a monetary policy adapted to the requirements

for economic growth and equilibrium in the balance of payments, freed from the demands for inorganic financing on the part of the public sector; a price policy devised to stimulate the development of agricultural production, particularly of what can be exported or what can substitute for imports.

"We have the deepseated conviction that the rehabilitation of the economy is a prerequisite for resuming economic growth more vigorously, and that an environment with definite rules and a suitable price structure are essential to stimulate production and employment.

"In January 1983, we started a program of expanded facility with the International Monetary Fund. The basic goal of that program was to correct those imbalances. Several goals of the program were attained during the first year of its implementation. Specifically, the ceilings established for the net international reserves, for the net internal assets and for the Central Bank's commercial arrears were met. The goal of transferring commodities to the parallel market was also fulfilled, as was the process of recovering the State Sugar Council, the Dominican Corporation of State Enterprises and the Dominican Electricity Corporation. Nevertheless, adverse factors in the external area, such as the drop in sugar prices, the decline in demand for ferronickel and bauxite, the rise in interest rates on a worldwide scale, as well as our delay in finalizing the renegotiation of the foreign debt with the commercial banks caused the total deficit in the non-financial public sector and that in the balance of payments to exceed the ceiling programmed by the International Monetary Fund.

"In the fiscal area, the Dominican state proposed to reduce the public sector's deficit from 7 percent of the gross domestic product to 3.9 percent; which would cause a decline in domestic financing from 5.8 to 2.2 percent of the gross domestic product. That reduction would be achieved by an improvement in the public sector's operational efficiency and a cut in the salaries of the public employees with higher income. However, the most significant component in the program was the attainment of approval for a group of tax bills. Nevertheless, this was impossible to achieve, because several of these bills were rejected by the Congress. Despite that situation, the Government of National Concentration was able to cut the deficit in the public sector to 5.6 percent of the gross domestic product.

"At the beginning of 1984, we resumed the talks with the International Monetary Fund to devise the financial program that would govern the relations between that agency and the Dominican Republic during the second year of the Expanded Facility Agreement. On 24 May, I informed the nation of the suspension of negotiations with the International Monetary Fund. The main reason for this suspension was the requirement that there must be an immediate transfer, without wasting time, of imports of petroleum and its by-products to an intermediate market, gradually raising prices until they reached the free market rate.

"As soon as the suspension occurred, the government sent several high-level missions to friendly countries and to the International Monetary Fund itself,

for the purpose of informing the heads of state of those countries and the managing director of the aforementioned institution of the reasons which had prompted this decision. At the same time, I personally undertook to explain to various sectors of the nation the need for adopting this measure, in view of the fact that oil prices in our country are significantly lower in Dominican pesos than the cost of that strategic product in dollars, which has been translated into an unwarranted subsidy.

"When the government thought that a favorable consensus had been achieved for making a decision of this nature, and an evaluation of the economic and social cost represented by the maintenance of invariable oil prices had been made, we proceeded to prepare the documentation that defined the Dominican position, thereby starting the negotiations with the International Monetary Fund again.

"On 4 July, a government commission left for Washington, with precise instructions to convey the Dominican Government's political desire to continue the process of adjustment and to eliminate the distortions in our economy.

"The mission carried with it a document in which the Dominican Government reminded the International Monetary Fund of the measures that it had already adopted to adjust its economy and to restructure the traditional model of replacing imports with a new system that would give an incentive for the production of staple items of national consumption and for export. The following were among the measures that this government adopted in 1983 and 1984: Adoption of the tax on transfer of industrialized goods (ITBI); valuing imports based on an exchange rate of 1.70 Dominican pesos; raising the tax level for exempted commodities; increasing the exit tax for passengers going abroad; a 10 percent increase for a year in the value of imports; a hike in the price of automobile plates; suspension of imports of automobiles and luxury items such as cheese, wine, household electric appliances, women's clothing and others of a similar type; austerity in the current spending of the central government and its autonomous institutions; transfer of \$85 million in imports to the parallel market in 1983; transfer, on 17 April 1984, of all other imports of goods and services to the parallel market, except for petroleum and its by-products, the current foreign debt and the government's expenses abroad; transfer of \$167 million in letters of credit and dividends of foreign companies to the parallel market on 10 May of this year; granting of exchange incentives amounting to 0.48 Dominican pesos for every dollar exported, for coffee, cacao, sugar, tobacco, gold and services; an exchange incentive so that non-traditional exports would receive almost the full rate on the free market; reorientation of credit to foster the production of exportable goods and the substitution of imports of staple agricultural items; freezing of commercial credit and reduction in the legal reserve to mobilize funds toward exportable production; freezing of credit to the public sector; increases in prices to producers of corn, sorghum, rice peanuts and other products; speeding up of the projects financed with foreign loans, by allocating local matching funds; creation of a special fund to stimulate the construction sector, by means of Savings and Loan Associations and the Mortgage Banks; financial and operational rehabilitation of the Dominican Corporation of State Enterprises, the State Sugar Council, the Dominican Electricity Corporation and the Institute of Price Stabilization; and an increment in incentives to the free-trade zones.

"We also notified the Fund of the measures that the government intends to adopt during the rest of 1984 and in 1985, to complete the process of adjusting and rehabilitating the Dominican economy.. Among the leading ones we could cite the transfer and increase of prices for petroleum and its by-products; an increment in fiscal revenue; the establishment of ceilings for public sector spending; several provisions for reactivating public and private investment further still; limits on the public sector's internal credit, and incentives for increased private savings; an increasing in the incentives given to exporters; the budget for the use of the government's foreign exchange; renegotiation of the public debt; an improvement in the flow of fiscal revenue to activate public investment; and an intensification and strengthening of the commercial and financial bonds with friendly countries.

"With the adoption of this group of measures, and assuming that there will be a reestablishment of the foreign aid programs currently at a standstill because of the lack of an agreement with the International Monetary Fund, we could conclude that we shall have a rehabilitated economy by 1985. This simply indicates that the measures which were adopted have been effective, and that there is light at the end of the tunnel.

"In this connection, it would be fitting to point out that the results of those projections indicate that the central government's budget and that of the decentralized enterprises would close in current account with a surplus of \$50.1 million in 1984, and \$324 million in 1985. On the other hand, the capital account, in other words, the investments to be made by the public sector, would be financed by external funds, without our having to use a cent of internal credit, that is, inorganic funds.

"Insofar as the external sector is concerned, the net international reserves would rise from a deficit balance of \$59.2 million in 1983 to a positive balance of \$12.5 million in 1984, and \$82.7 million in 1985. This means that the implementation of that program would culminate in 1985 with the country's economic stabilization.

"Despite this situation, and the acknowledgment of the positive results that our economy has been having and will have in the future, the International Monetary Fund insisted that greater speed was necessary in the adjustment process and that we would have to accrue more fiscal revenue by means of new tax laws. particularly by increasing the ITBI from 6 to 10 percent, and extending its coverage. But it also proposed that we make an immediate increase, from 52 to 64 percent, in the current level of electrical rates. In subsequent talks, the International Monetary Fund suggested that this increase could be made gradually and in staggered fashion, until the total increase for several months had been completed. All these conditions had not been demands associated with an expanded facility agreement which, according to the International Monetary Fund, is impossible for the country now; but rather, as part of a contingent agreement, in other words, a stand-by, in which they would pay \$30 million in 1984 and \$60 million in 1985.

"Obviously, the Dominican Government could not accept those conditions, most particularly the one relating to the rise in rates for electrical consumption.

"Our position was conveyed to Mr De Larosiere on Friday, 13 July, and at my instruction, the mission proceeded to deliver to Mr De Larosiere our letter of intention, which sets forth the government's economic policy for 1984 and 1985. The essence of the letter of intention delivered to Mr De Larosiere, managing director of the International Monetary Fund, is that the measures contained therein constitute the maximum effort that our country can expend to adjust the economy, and that they are compatible with the sociopolitical situation that the country is experiencing. We point out that we have acknowledged the need for measures of adjustment and the beneficial effect that they will have over the medium term, but note that we shall carry them out only within the context of maintaining sovereignty and democracy, essential elements for the nation's political and social stability, the defense of the real wage and employment level of the working class and the deliberate impetus to the economy to neutralize the recessive effects of the adjustment.

"In addition to the letter of intention, a one-page document was submitted, in which an option was offered in the event that we could not arrive at an expanded facility agreement or a stand-by. This alternative was a 'shadow program.' And what is a 'shadow program'?

"The idea of a 'shadow program' came from Mr De Larosiere at two meetings which he held with the Dominican negotiators who traveled to Washington at the end of May and the beginning of June of this year. At that time, and in view of the impossibility of reaching an agreement, Mr De Larosiere delineated what might be a special program for the Dominican Republic. The features of that program which are still being outlined on a preliminary level, would be the following:

"1. To reestablish the aid programs of the United States Government, most particularly those associated with PL-480 and CCC, for importing priority foodstuffs, as well as the funds resulting from the initiative of the Caribbean Basin and the International Development Association (IDA).

"2. To reestablish the aid programs of multilateral agencies, most especially that of the World Bank.

"3. To restore the country's access to new bilateral and multilateral financing.

"4. To obtain the International Monetary Fund's sponsorship so as to enable the country to renegotiate the public foreign debt.

"During the term of a 'shadow agreement,' which is 6 months, the Dominican Republic would adopt the economic policy measures that it deemed necessary to gradually continue the adjustment of its economy, including an increase in the exchange incentives for traditional exports.

"Upon the termination of the 'shadow agreement' and on the basis of the results shown by the Dominican economy in 1985, the government and the International Monetary Fund would start talks to determine the feasibility of arranging another type of agreement.

"As is logical, and as Mr De Larosiere indicated in his telex of 16 July of this year, during the next few days we shall have to work jointly on the details, so as to lend final shape to this essentially short agreement.

"The measures of the Government of National Concentration have proven successful. For the first time in recent years, the country has succeeded in reducing the deficit in current account as a proportion of the gross domestic product, while still achieving in 1983 a real growth rate of 4 percent in the gross domestic product.

"It is fitting to point out that, as an alternative to the expansion of expenditures, the government has made use of the mechanism of the exchange rate and control of imports to achieve a change in the productive structure of the nation.

"The adjustment in the exchange rate makes imports more expensive and stimulates domestic production. We have raised the prices of farm products, for the purpose of stimulating their production and raising the living standard of the Dominican peasants. But the adjustment in the exchange rate will also have positive effects on the industrial sector, because it will stimulate the domestic production of raw materials that are currently being imported. Whereas, on the exports side, we shall have an increase in the profit margins of producers and exporters, prompting them to raise their production, understandably, the adjustment by means of the exchange rate makes imports less competitive in relation to native products and, at the same time, exports become far more profitable.

"I may not be optimistic regarding the possibility of persuading the economists that we are confronting problems with the tools that we have within our reach. This is so because some of you might be asking for something impracticable, and in this regard I would have to remind you that, in order to advise the society in a useful manner, the economist must also learn to experience the harsh realities of political life. What can be done is one thing, and what it is desired to do is something else. Power is the capacity for accomplishing in the real world.

"No one could be unaware that the country is in a period of deepseated transformations, with bright opportunities for expansion in the exporting sector, and that the advantages are now directed toward those who produce and who save the foreign exchange that we need, instead of those who consume it. The incentives are aimed more intensively toward the rural areas, where the vital energy that is the driving force of our leading resource, agriculture, greatly overlooked in the past, which we raise up as our national standard, is enthusiastically vibrating."

2909

CSO: 3248/720

BRIEFS

NEW AMBASSADORS FROM ABROAD--Cavan Hogue, Ahmet Asim Akyamac, Konstandinos Vais, and Francois Nordmann have presented their credentials to Honduran President Roberto Suazo Cordova as the new ambassadors from Australia, Turkey, Greece, and Switzerland, respectively. [Summary] [PA110213 Tegucigalpa LA TRIBUNA in Spanish 10 Jul 84 p 17] Tegucigalpa--New FRG Ambassador Eckehard Schober presented his credentials to Honduran Foreign Secretary Edgardo Paz Barnica on 18 July. [Summary] [PA202316 San Pedro Sula TIEMPO in Spanish 19 Jul 84 p 3]

AUSTRALIAN PARLIAMENTARY DELEGATION VISITS--High-level Economy Secretariat officials have met with an Australian Parliament delegation conducting a fact-finding tour through the isthmus aimed at strengthening relations with these countries. The visitors explained Australia's wish to increase commercial links with Honduras and to channel economic aid and technical assistance. Economy and Commerce Secretary Camilo Rivera Giron and his colleagues gave the Australian delegation a general report on our country's economy. They emphasized the need to increase foreign investments and the country's exports, so that Australia may increase its coffee quota. [Excerpts] [PA231820 Tegucigalpa Domestic Service in Spanish 1130 GMT 23 Jul 84]

CSO: 3248/709

OPPOSITION ACKNOWLEDGES DEFEAT IN NAYARIT ELECTIONS

Mexico City EXCELSIOR in Spanish 5 Jun 84 pp 4-A, 28-A

[Article by Angel Soriano]

[Text] Tepic, Nay., 4 Jun--The opposition recognized that it did not win in the elections yesterday for 19 mayors and 17 deputies to the local congress. About 24 hours after the elections, the PAN [National Action Party] estimated that less than half of the voters went to the polls and indicated that "it is second in electoral strength in this state."

At the PRI [Institutional Revolutionary Party], general delegate Luis Adolfo Santibanez Belmont indicated this afternoon that he still did not know the percentage of citizens who had gone to vote. He did not have figures "because the State Electoral Commission will announce them officially next Thursday."

Using a simple adding machine, the general delegate of the CEN [National Executive Committee] of the PAN, Salvador Romero Estrada, stated that, according to reports, about 35,000 citizens voted in all the election districts in the state. He indicated that estimates favored the PRI with a little more than 60 percent, 20 percent for the PAN and the rest for the other parties. Therefore, he felt that his party "is second in electoral strength in the state."

The State Electoral Commission has not given official figures on the numbers of citizens who went to vote or the percentages that the parties won. It stated that it will provide the final report on Thursday.

If the PRI and the Local Electoral Commission do not have concrete figures, the minority parties like the PPS [expansion unknown], the PST [Socialist Workers Party] and the PDM [Mexican Democratic Party] that won perhaps the lowest number of votes would not.

However, partisans of the PRI candidate for mayor of Tepic, Braulio Perez Valdivia, are pushing "the unquestionable victory" they say they have won.

Miguel Pelayo Lepe, commissioned by the PST to supervise the Sunday elections, said: "It is a shame that the opposition parties have not penetrated and that the people have rejected them at the polls." He felt that the PSUM [Unified Socialist Party of Mexico], the PPS and the PDM "are only puppets of the

government party and are incapable of fighting for the advance of democracy in Mexico."

The truth is that more than 90 percent of a voting list of 368,000 voters in the state were conspicuous by their absence at the polls.

7717

CSO: 3248/708

NORTHERNERS POLLED ON DLM GOVERNMENT'S PERFORMANCE, HONESTY

Monterrey EL NORTE in Spanish 3 Jul 84 p 2-A

[Poll by coordinator Ana Luisa Anza and pollsters Guillermo C. Cortes, Alberto Ferreiro and Luis Gonzaga]

[Text] Part I.

The optimistic attitude Monterrey maintained regarding the country's destiny ten months ago has begun to turn into pessimism.

A survey conducted by EL NORTE of 400 residents, whose results were compared with responses to a similar investigation completed in September, shows the somewhat pessimistic attitude that residents of the metropolitan area have about the future of Mexico.

The attitude is reflected more clearly in answers to the question of how they view the country's current situation.

As one can see in Table 5, which compares the results of the two surveys, in 1984, Monterrey residents gave fewer positive responses than they did last year.

The reasons are varied: increasing inflation, unemployment, corruption, but bureaucracy, the high foreign debt, hunger, vandalism and an "increasingly nationalized" economy.

This scarcely positive attitude is also reflected in answers to the question about the future of Mexico in 4 years (Table 6), in which the percentage of responses that "the situation will get worse" is higher now than in the last poll and the response that "the country will improve" dropped.

Expectations about an improvement in Mexico's situation are also less positive than in September.

As one can see in Table 11, there are now fewer who definitely believe that the country will continue to make progress, although the time the recovery will take remains fairly stable (Table 8).

In spite of everything, there is a certain level of confidence in Miguel de la Madrid as president, as one can see in Table 2.

(Figures in all tables indicate percentages.)

Table 1. How would you label the work of Miguel de la Madrid during his administration?

Very good	8
Good	36
Fair	41
Poor	5
Very poor	3
Do not know	7

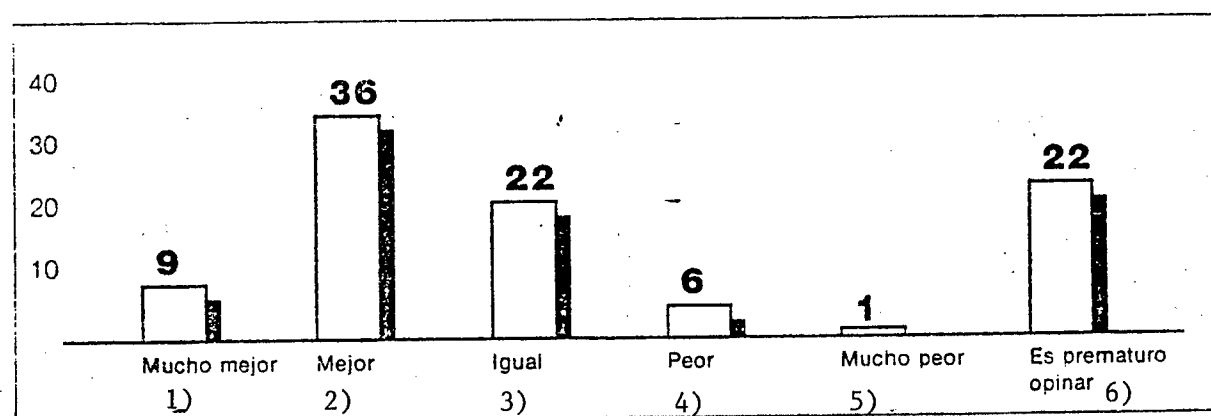
Table 2. Does Miguel de la Madrid inspire you with confidence?

Yes	27
No	10
Like anyone else	20
Not the face but actions that count	26
Doubtful	8
Do not know	7

Table 3. Would you like the system of government to change?

Yes	29
Should be reformed	47
No	19
Do not know	5

Table 4. Compared with the government of J. Lopez-Portillo, how has Miguel de la Madrid changed the economy?



Key:

- | | |
|----------------|---------------------|
| 1. Much better | 4. Worse |
| 2. Better | 5. Much worse |
| 3. Same | 6. Too early to say |

Table 5. How do you view the current situation in the country?

	<u>1983</u>	<u>1984</u>
Good	2	1
Better than before (improving)	18	16
Fair (some ways better, some worse)	29	24
Poor	31	28
Very poor	14	16
Same, no change	4	13
Do not know	2	2

Table 6. What will happen in the country over the next 4 years?

	<u>1983</u>	<u>1984</u>
Will remain the same	11	9
Will improve	34	26
Will get worse	10	19
Worse for 2 years, then better	9	13
Too early to say	35	32
Do not know	2	2

Table 7. Do you believe the president is reserving some spectacular measure that will cause the people to regain confidence in the government?

Yes	30
No	60
Do not know	10

Table 8. How long will it take Mexico to emerge from its difficulties and move forward?

	<u>1983</u>	<u>1984</u>
One year or less	1	1
Up to two years	7	3
Up to three years	18	14
Up to four years	18	14
Five years, by end of six years	14	16
Over six years	24	23
Will never move forward	5	4
Not a matter of time but action		27
Do not know	28	20

Perhaps this is partially due to the work De la Madrid has done as president of the country, inasmuch as 44 percent of those interviewed called his work as very good or good (Table 1).

Those polled were also asked whether the measures taken by his government were suitable for Mexico's current situation and only 10 percent said they "are not suitable."

Among the positive measures, those interviewed more frequently mentioned the reduction in public spending, the increase in exports, austerity and control of foreign exchange.

Obviously, one of the key points -- because of the country's current situation -- is the government's economic aspect.

Consequently, those polled were asked to give their opinion on work in the economic field of De la Madrid, comparing it with what was done during his administration by former President Jose Lopez-Portillo.

After two years of government, the work of De la Madrid was viewed in a considerably positive manner if one considers the fact that the country's economy is going through a very difficult period.

As one can see in Table 4, the first two categories (much better and better) obtained 45 percent of all responses, while 22 percent said that everything remains the same and only 7 percent called work in this field worse and much worse. Some 26 percent thought it was too soon to give an opinion.

Corruption

Efficiency in the fight against corruption, one of the basic points of the program of President De la Madrid's administration, was also compared by those interviewed with the situation in September.

However, public opinion has not varied considerably on this point (Table 9), although there has been a drop in the "more corrupt" category and an increase in the "equally corrupt" group.

In order to achieve a more specific picture of the fight against corruption, those polled were also asked to give an opinion about effectiveness and honesty in this campaign.

Most (49 percent) said that the campaign is "of average efficiency," 17 percent "very efficient" and "efficient" and finally, 33 percent said it was "very inefficient" and "inefficient."

Concerning the seriousness of the campaign, 45 percent considered it "average," 22 percent between "very serious" and "serious" and 31 percent said it was "not serious at all" or "scarcely serious."

One of the points most highly criticized in the so-called fight against corruption is the target and in this case, 28 percent say that the campaign has flaws because it is aimed at officials who are "of little or no importance."

Changes and Crisis

Regaining the confidence lost in the government is one of the prime concerns at the present time. Generally, it is thought that any president includes measures to achieve the goal.

Table 9. Do you believe that the officials in this administration are more, less or equally corrupt than in the previous six years?

	<u>1983</u>	<u>1984</u>
More corrupt	10	3
Equally corrupt	31	38
Less corrupt	18	19
Too early to say	34	35
Do not know	7	5

Table 10. Has your personal situation improved or grown worse this year compared with the last three months of last year?

Has grown worse	32
Has improved	24
Same	42
Do not know	1

Table 11. Do you believe that the country will emerge from the crisis?

	<u>1983</u>	<u>1984</u>
Yes, emphatic	27	9
Yes, perhaps but it depends	46	30
Hope so		41
No, emphatic	7	6
Too early to say	20	14

Table 12. If the economic crisis continues, what do you think will happen?

	<u>1983</u>	<u>1984</u>
Military coup	13	2
Workers and peasants will revolt	37	19
Middle class will revolt	22	11
General uprisings	33	24
Takeover by foreign powers	17	7
Nothing, people will do nothing	3	23
Do not know		14

When those polled were asked whether they believed that De la Madrid has some spectacular measure in store to regain confidence, the results were surprising.

Only 30 percent thought that this were so, while 60 percent were certain that such a thing is not part of his program (Table 7).

Nevertheless, people want change. Some 29 percent would like a change in government and 47 percent believe that there should be reforms, while only 19 percent agree with the current course of Mexico (Table 3).

Wanting a change is perhaps a consequence of the personal situation of Mexicans. Some 32 percent say that over the past four months, their situation has grown worse, while 42 percent believe that it is the same (Table 10).

Although they want a change in their personal situation, few harbor hope, with 33 percent believing that everything will remain the same next year, 20 percent believing that it will get worse and only 26 percent remaining optimistic about improvement.

What will happen if the current economic situation continues? Table 12 shows the possible paths to be taken by the country compared with those given by Monterrey residents in 1983.

It can be seen that there are now more persons who believe that "nothing will happen" and the percentages of other possibilities have dropped.

(Note: Percentages do not add up to 100 because data corresponding to surveys without answers to each question have been omitted.)

Part II.

Comparing the current president with the head of the past administration is one of the most common topics whenever Monterrey residents begin to discuss politics.

In the EL NORTE survey, Monterrey residents make their own comparison of Miguel de la Madrid with Jose Lopez Portillo on various points ranging from their personal honesty to individual attractiveness.

Rating the two heads of state with respect to honesty, Miguel de la Madrid obtained a more positive opinion from those polled.

Although only 5 percent said that De la Madrid is very honest, most answers were in the categories of honest (36 percent) and average (43 percent), while corrupt and very corrupt obtained 13 percent.

In contrast, Jose Lopez Portillo had more negative responses in the corruption category (31 percent) and very corrupt (55 percent), while 9 percent called him average, 2 percent honest and only 1 percent very honest.

Another basic point has to do with the sincerity of a president's words, the opposite of which would be demagoguery.

According to those polled, Jose Lopez Portillo was a demagogue, while Miguel de la Madrid was mainly labeled as sincere or average.

De la Madrid was considered very sincere by 6 percent, sincere by 36 percent, average by 40 percent, a demagogue by 14 percent and very demagogic by 4 percent.

In contrast, Lopez Portillo was considered very sincere and sincere by 2 percent and 3 percent respectively, while 12 percent labeled him as average and 30 and 52 percent labeled him as demagogic and very demagogic.

Related to this question is the matter of the president's real interest in his country.

While 71 percent of those surveyed perceive De la Madrid as interested or very interested in his country, only 16 percent considered Jose Lopez-Portillo in these categories.

In contrast, Lopez-Portillo accumulated greater percentages in the categories of very uninterested and uninterested (64 percent), while De la Madrid had only 5 percent in these categories.

The preparation of the person for the post of chief executive was one of the most important points with respect to the political aspect.

According to those surveyed, De la Madrid is a person more prepared and fit for the post he holds than was Lopez-Portillo.

De la Madrid was considered as very prepared and capable in 30 percent of the answers and prepared and capable in 52 percent.

The former president was called very prepared by 20 percent, while 28 percent considered him prepared and capable.

The category of average was chosen for De la Madrid by 15 percent and for Lopez-Portillo by 32 percent, while the most radical negatively speaking: unprepared, unfit, was greater for Lopez Portillo (18 percent) than for De la Madrid (1 percent).

In speaking of a high political official, the tendency is to label him by his hard- or soft-handedness, meaning his strength or weakness in leading the country's destiny.

In this area, De la Madrid was considered as very strong by 11 percent of those interviewed, strong by 49 percent, average by 34 percent and weak by 5 percent.

Lopez-Portillo obtained 14 percent in the category of very strong, 28 percent for strong, 31 percent for average and 26 percent for weak.

Finally, those surveyed were asked to give their opinion on the image of each, classifying them with respect to their likability or attractiveness.

De la Madrid was considered average by 54 percent, while 38 percent considered him either attractive or very attractive and 6 percent placed him in the categories of unattractive or very unattractive.

Lopez-Portillo also obtained a majority of all opinions in the category of average (34 percent), while 24 percent placed him in the categories of attractive or very attractive and 41 percent found him either unattractive or very unattractive.

MEXICAN WORKERS PARTY GRANTED CONDITIONAL REGISTRATION

Mexico City EXCELSIOR in Spanish 5 Jul 84 pp 1-A, 14-A, 33-A

[Article by Aurelio Ramos]

[Text] Pluralism is an essential condition of democracy. However, it requires the formation of clear, authentic and viable political options. The dispersion of options results in an undesirable fragmentation of the national will, according to Secretary of Government Manuel Bartlett Diaz last night. Earlier the CFE [Federal Electoral Commission] granted the PMT [Mexican Workers Party] conditional registration that will permit it to participate in the 1985 elections.

He spoke at the end of the CFE meeting which lasted 3-1/2 hours. During the meeting the CFE denied registration to 10 other organizations that wanted to become parties. He added: "Our party system is not one of calculations, balances and counterbalances. It is a result of the interaction between the parties and the voters."

Registration of the PMT was approved by the representatives of all the parties --except the PST [Socialist Workers Party]--and the legislative chambers. After learning the decision of the CFE, PMT leader Heberto Castillo told reporters: "Now more than ever we will strive for the unity of the progressive forces of the country. We will not fall into cliches or ideological traps. We will demonstrate that the ideas of Juarez, Hidalgo, Morelos, Zapata, Cardenas, Villa and other Mexicans are revolutionary."

The meeting was held in the Juarez Room of the Secretariat of Government. Some 200 members of the PMT attended and quietly received the news of the registration of their party. Heberto Castillo was accompanied by Jose Alvarez Icaza from the PMT.

Substance of Our Democracy

In his speech at the end of the meeting, Bartlett indicated that the parties are the substance of our democracy. According to law, they must decide matters related to the registration of other parties.

He said that the CFE decided to register two new organizations as parties--the PARM [Authentic Party of the Mexican Revolution] and the PMT--so "democracy is

working." He said that the opening of legal roads demonstrates the effectiveness of the law. He added that "the republican way is open in order to fight for political power."

He explained that our party system is governed by the principle that any national political current with its own identity--understood as the postulation of ideas, principles and programs--and with numerical significance should be able to participate in the elections.

He indicated that the Electoral Commission decides "but it is decided finally at the national level."

He noted that democracy demands that the citizens have a set of options and decide; this shapes the national will. He said we are a pluralistic republic. "Democracy also demands the formation of clear, authentic, viable options. The dispersion of options results in an undesirable fragmentation of national will.

"Therefore, authentic political representation is another essential condition of democracy. We are a republic with clear mandates. Our party system is equidistant from the dispersion of sovereignty and division of the will and from the formation of abstract balances."

The Nation Judges

The secretary of government stressed that the political options do not obey the governing criterion of one group, even if it is the majority, but the will of the people. It is the nation that judges the national currents, their projects and their ideas. After repeating that the people will decide about the registrations in the end, he said that the CFE "has started the 1985 elections by defining the participants."

When the findings advocating PMT registration were submitted to debate, the PSUM [Unified Socialist Party of Mexico] representative, Sabino Hernandez, explained that group's long past. He noted: "The PMT is the political expression of an important part of the Mexican people. It has the right to registration."

Ricardo Pascoe of the PRT [Revolutionary Workers Party] said that the PMT is a group that fights on the side of the workers and defends the interests of that social class. He also felt that its presence in the political spectrum expands democracy.

The PDM [Mexican Democratic Party] representative, Gumersindo Magana, said that his party has basic disagreements with Heberto Castillo's party. "However, we are aware that the PMT has developed intensive activity recently. It is a serious current of opinion and, therefore, should have representation in the national political forums."

Guillermo Fonseca Alvarez of the PRI [Institutional Revolutionary Party] limited himself to saying that "based on objective and political criteria" his party considers the PMT "viable." Ruben Rodriguez Quezada from the PARM also

supported registration. The PSD [expansion unknown] through its district representative, Ernesto Sanchez Aguilar, even regretted that registration had not been granted to the PMT before.

To support its negative vote, PST representative Pedro Etienne Llano said that there is an ideological "jumble" in the PMT. There are Marxist-Leninists, social democrats, nationalists and chauvinistic socialists in it. He also said that this party is led through the "egocentrism" of its leader, Heberto Castillo.

Before all the members of the CFE voted on the PMT registration, they were involved in a discussion on another finding which denied registration to 10 other groups. These included the Liberal Party, the Constitutional Civic Party, the Mexican Civic Organization, the Revolutionary Socialist Party, the Mexican Agricultural Workers Party, the Revolutionary Movement of the People and the "Los Dorados" Mexican Revolutionary Action.

The other three were: the International Mexican Independent Intellectual Authentic Autonomous Socialist Party of the Representative Revolutionary Structures --whose name alone caused laughter at the meeting--the Social Democratic Party and the United Mexico Party.

The discussions began after reading the findings. It considered the requests for registration inadequate in all these cases. A debate began on the appropriateness of the CFE deciding which parties should participate in the elections.

The findings to deny registration were approved by the majority of the parties. The PSUM and the PRT only partially approved it.

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CSO: 3248/708

PRI REPORT DEALS WITH OPPOSITION IN YUCATAN

Mexico City EXCELSIOR in Spanish 10 Jul 84 pp 4-A, 27-A, 28-A

[From "Political Fronts" column by Guillermo C. Zetina]

[Text] The PRI [Institutional Revolutionary Party] leadership received a report on the situation of the opposition parties in Yucatan, the "new image" of the state government and the difficulty of recovering positions.

The first section recognized the "existence of a significant rightist opposition." It stated: The PAN [National Action Party] has the support of major local mass media and business and church groups. It has "notable penetration" in advanced education institutions and in sectors of the urban middle class and the upper class. It stated: "There are possibilities" that business groups will continue financing the PAN in the 1984 and 1985 elections, mainly in Merida.

It stated that the PSUM [Unified Socialist Party of Mexico] is consolidated as the top leftist force in the state with greater influence in the rural zones than in the urban area. Its membership is low, it is ignored by the mass media and rejected by religious groups. It is assumed that it will seek a minority deputation.

The PST [Socialist Workers Party] has managed to put together some cadres in Merida and municipalities in the interior. In 1981 it won a city hall. It can represent a significant political force in the local left. The number of members in the PDM [Mexican Democratic Party] is small but its ideological affinity with the mass media permits considerable publicity about its activities.

The lack of change in its leaders and its "low ability" to attract active members has diminished the influence of the PPS [expansion unknown]. As to the PARM [Authentic Party of the Mexican Revolution], it won the Motul city hall in 1981 and claimed victory in Tekak, in both cases with slates headed by dissident PRI members. The loss of its registration contributed to the disappearance of what little strength it had. Its presence is merely symbolic. The PRT [Revolutionary Workers Party] does not have significant presence. After accrediting a representative to the CEE [State Electoral Commission], it is obvious that it will make a new attempt to participate in the November elections.

It mentioned as a "problem situation for the PRI" the effect of the economic situation--price increase and decrease in real wages--on the electoral decisions of the voters. Despite this, the report added, "the party remains in the majority," particularly in the rural areas.

It is also felt that the program for henequen reorganization and integral development of Yucatan will help strengthen the image of the government and, therefore, the party through more economic resources for the state.

There are three Yucatan city halls now in the hands of the opposition: Chamax (PAN), Motul (a candidate who ran for the PARM when he was not nominated by the PRI won) and Bokoba where a PST member won.

PRI Worried About Nine City Halls

The report to the PRI high command established what are considered "city halls in question":

Merida: Sectorial and group interests; bad image of the current municipal government; significant PAN presence.

Tekak: Internal divisions; polarization of political groups; strong mobilization ability of rural groups; "possible confrontations" during the selection process.

Progreso: Existence of many political interest groups; negative image of the current municipal administrator.

Tizimin: Internal political divisions as a result of the imposition of 1981.

Valladolid: Imposition of mayor in 1981.

Peto: Strong PAN presence.

Dzoncauich: Division and polarization of groups; violent confrontations in the past.

Ticul: Confrontations between teachers and businessmen; climate of internal division.

Uman: Division of groups since the 1981 plebiscite; PAN presence.

Another section mentioned: "It is urgent to have sufficient financial and human resources to confront an eventual opposition campaign that has massive resources similar to the campaigns in Puebla, Mazatlan and Mexicali where the political and business groups had great financial support."

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SUSPECT IN BUENDIA KILLING HEADED FOR VERACRUZ AFTER MURDER

Mexico City EXCELSIOR in Spanish 8 Jun 84 pp 1-A, 13-A, 14-A

[Article by R. Hernandez, R. Medina, F. Meraz and R. Riva Palacio]

[Text] Police authorities investigating the murder of newsman Manuel Buendia have a new trail that could lead to the capture of the killer and his accomplices. It has been discovered that a person had been living near Buendia's office and that only a little over an hour after the crime, the individual apparently boarded a plane for Minatitlan, Veracruz.

Investigators sweeping the area where the newsman's office is found, at 58 Insurgentes Sur, obtained this information after dozens of talks with neighbors, merchants, sidewalk vendors, car washers, paperboys, janitors, hotel managers and persons working or studying in the area.

At the same time, police are comparing the killing of an oilman from Coatzacoalcos at the end of last year with methods used in the killing of the columnist nine days ago. They are also analyzing the manner, methods and reasons for the death of the editor of the Coatzacoalcos weekly PRIMERA PLANA, Javier Juarez Vazquez.

According to investigations into political crimes in the past 10 years, the author, material and alleged accomplices of Buendia's murderer could have connections with persons involved in the other two homicides. Investigators have taken an interest in the last killing of this type, committed on 11 November 1983. The victim was Ruben Rogelio Castillo Perez, secretary of education and social welfare of Section 31 of the Trade Union of Petroleum Workers of the Mexican Republic (STPRM).

Castillo Perez was killed by four shots at the door of his house at 525 Calle Francisco I. Madero in Coatzacoalcos, by three individuals. One used a 38-super pistol, the same type used on Buendia, the second a 45 pistol [escuadra] and the third a knife. Police sketches were made of the three and they are being compared with others made of the killer of the newsman.

Other homicides that might be connected with that of Buendia include that of newsman Juarez Vazquez, killed within hours of Buendia's murder. Juarez Vazquez, who had been very critical of oil sectors, was tortured, found with barbed wire around his mouth, and had been killed with a 45 pistol [escuadra].

Preliminary investigations seem to indicate that Juarez Vazquez was killed by local police. The editor of the weekly PRIMERA PLANA, put out by the press of capital city journal POR ESTO!, had been in Mexico City three days earlier. It was learned that during his stay in this city, he did not talk with Buendia. Neither is it known whether he had direct relations with the columnist.

The investigation is being carried out by different police agencies in the country. It has been learned that the District Judicial Police, responsible for the case upon presidential orders, yesterday submitted a report to President De la Madrid on progress made. District Attorney Victoria Adato will meet this morning with the Committee of Peers made up of respected journalists and set up a day after Buendia's murder in order to follow the course of the investigation.

Two Suspects

Investigations in this city last week showed that during a period of five to seven days before Buendia's killing, a person had been living near his office and that that individual apparently left for Minatitlan only hours after the crime.

Investigators discovered that a travel agency, Mexatours, located on Calle de Havre, sold two tickets for Minatitlan, Veracruz. The will was sent to an agency in Coatzacoalcos and the buyers of the tickets supplied a telephone number in this city. The company is not in the telephone directory of this city and the number given is that of a law office in Juarez.

Investigations have concentrated on travel agencies, specifically tickets sold for Veracruz on that day. The profile of the killer fits the description of a man from the Gulf coast.

The owner of Mexatours, Jorge Balmori Aisa, confirmed the sale of the tickets to two persons, but stated that their description does not fit that of police sketches.

According to investigations, the two tickets sold were for Flight 647 of Mexicana de Aviacion, scheduled to leave at 1945 hours on 30 May. However, the plane's departure was delayed by the alleged delay of a passenger. Buendia's murder happened at about 1835 hours.

The tickets sold to a man and a woman have numbers 01322209960235 and 01322209960236. They were paid for in cash and were one-way. Previously, the same two persons had bought tickets from the same agency in November 1983 and May of this year, round-trip, but paid for with an American Express card.

Authorities have paid special attention to this trail, given the coincidences with the murder of the journalist in Coatzacoalcos. The Minatitlan airport also serves that Veracruz city.

Police sources say that the trail is not an indication that the case can be solved. Whatever the case, the same sources affirm that all clues will be followed.

Police authorities stress their statements on protection of anonymity that "is maintained and will be maintained" concerning the identification of any person willing to come forth with information on Buendia's killer or any details leading to the clarification of the newsman's murder.

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CSO: 3248/706

BRIEFS

BISHOP'S CHARGES OF KIDNAPPING--San Cristobal Las Casa, Chis., 4 Jul--Agents of the Secretariat of Government are allegedly responsible for the kidnapping of two nuns from the local diocese and Miriam Gaxiola from the Committee for Christian Solidarity, according to Bishop Samuel Ruiz Garcia. He added that the nuns whose names were not given were kidnapped last 28 June from the Chajul camp. They were taking care of more than 6,000 Guatemalan refugees when they were kidnapped by several people. He stated that the two nuns were interrogated about the work that he--Ruiz Garcia--does with the refugees. They were forced to get into a small plane that took them to this city and later were returned to Chajul. He indicated that, during the interrogations, the two nuns were "psychologically tortured" and blindfolded for more than 15 hours. The bishop stated that Dr Miriam Gaxiola from the Committee for Christian Solidarity was kidnapped on 27 June. He added that this professional was held for 7 days and was subjected to intensive interrogations about the activities that this group in which she participates does with Guatemalan refugee families in Mexico. He noted that "in the case of Miriam Gaxiola the agents applied" the same system. The Secretariat of the Coordinator for Aid to Guatemalan Refugees condemned the kidnapping of the three people. [By Leticia Hernandez] [Text] [Mexico City EXCELSIOR in Spanish 5 Jul 84 p 7-D] 7717

CSO: 3248/708

NETHERLAND ANTILLES

BRIEFS

AGREEMENT REACHED ON UNION--Willemstad, 27 June--Agreement was reached on Tuesday on a key point in talks on the future of the Netherlands Antilles following Aruba's secession from the six-island Caribbean Federation. Representatives of the islands of Curacao, Bonaire, St. Maarten, Saba and St. Eustatius agreed to form a five-island union after Aruban secession, scheduled for 1 January 1986. Formation of such a union was one of the conditions set during the so-called 'round-table talks' on Aruban secession which took place in the Hague in March 1983. At those talks it was decided that Aruba would receive 'separate status' from 1986 with full independence from Holland to follow 10 years later. 'Solidarity Fund': Talks between the five islands were suspended in April over Holland's contribution to the so-called 'solidarity fund' which will provide financial aid to the small islands after Aruban secession. The Dutch government has said it will contribute no more than 10 percent of the fund, a stance which caused the small islands to force a suspension of the five-island talks in April. But the talks were resumed this week although there had been no apparent shift in the Dutch position. [Text] [The Hague ANP NEWS BULLETIN in English 28 Jul 84 p 7]

'UNION' WITH ARUBA OPPOSED--Willemstad, 2 July--Recent talks between representatives of five of the islands which make up the Netherlands Antilles seem to have thrown up an obstacle to the secession of Aruba, the sixth island. Under the terms of the March 1983 round table conference in The Hague, Aruba is due to receive 'separate status' from the other islands on 1 January 1986 with full independence to follow 10 years later. The round table conference foresaw a federation of the five islands of Curacao, Bonaire, St. Maarten, St. Eustatius and Saba to replace the current six-island federation, after Aruban secession. But while the five islands agreed to this condition they have refused another, namely, that they should form a 'union' with Aruba. Representatives of the islands have said this is not possible for administrative reasons and have asked the central government of the Antilles, which recently resigned, to examine some other sort of link with Aruba. Separate island councils now have to ratify the decisions of the five-island talks which will be resumed in August. [Text] [The Hague ANP NEWS BULLETIN in English 2 Jul 84 p 3]

DE KONING WILLINGNESS ON TALKS--The Hague, 3 July--Antilles Affairs Minister Jan de Koning said he was prepared to re-open negotiations on an agreed union between five islands making up the Netherlands Antilles and the sixth island--Aruba--after it acquires 'separate status' on 1 January 1986. 'The union between the five islands and Aruba is open for discussion,' he said in a radio interview on

Monday. He made clear he was thinking of the shape of the union should take. The minister was commenting on the refusal of the five islands at the weekend to enter into a union with Aruba, as agreed at a round table conference in The Hague in March 1983. The five islands are Curacao, Bonaire, St. Maarten, St. Eustatius and Saba. Although he agreed to renewed talks, De Koning emphasized he set great store by prior agreement among the islands themselves. Time Limits: He welcomed the decision of the five to retain the existing constitutional structure among themselves after Aruba splits off in 1986 to embark on a 10-year transition to full independence. He was 'not so happy' about the five's rejection of a union with Aruba, but said his impression was that they merely wanted a different type of cooperation from that agreed at the round table conference. The five are also seeking more time to finalise structures among themselves by moving the existing time-limit for this forward from some time in 1986 to 1 January 1988. De Koning said he expected this demand to run into Aruban opposition. [Text] [The Hague ANP NEWS BULLETIN in English 4 Jul 84 p 1]

MARTINA CALL FOR TALKS--Willemstad, 9 July--Prime Minister Don Martina of the Netherlands Antilles called at the weekend for urgent talks with Holland to resolve problems surrounding the forthcoming secession of Aruba. Under a round table agreement made in March 1983, Aruba is due to gain separate status on 1 January 1986, with a view to independence 10 years later. A bitter dispute has now arisen over Aruba's future relationship with the remaining five Caribbean islands making up the Netherlands Antilles. Martina said at a press conference on Friday that talks must be held soon with the Netherlands, as the five islands have now rejected plans for a future political and economic union with Aruba agreed at the conference. The prime minister did not set a date for the talks and said he did not feel another round table conference was necessary. 'Mala Fide Antillean': However, he further fuelled the dispute, by accusing Betico Croes, leader of the majority MEP party on Aruba, of being a 'mala fide Antillean.' Croes recently made a controversial visit to the United States, and Martina said he had heard from 'excellent sources' that the Aruban leader there accused Curacao of obstructing secession procedures. Martina said he would be making further investigations into what Croes had said, and if the accusation proved true, Croes would be 'branded as a mala fide Antillean, and will have to bear the consequences as such in future.' [Text] [The Hague ANP NEWS BULLETIN in English 8 Jul 84 pp 1-2]

ARUBAN POLITICAL STRUCTURE PROPOSALS--Willemstad, 17 July--Detailed proposals for the political structure of Aruba, following secession from the five other islands in the Netherlands Antilles on 1 January 1986 are to go before the island council shortly. The proposals, published today, are for a cabinet of seven ministers and a prime minister, with four state secretaries and four secretaries-general. The plans have been drawn up by the island's administrative council, largely on the advice of the Dutch organisational bureau Berenschot. They have already met criticism however from opposition AVP party members on the island, who warned that no financial plan had been drawn up to provide the 87 million guilders needed to fund the new structure. Aruba is to gain separate status on 1 January 1986, with a view to independence from the rest of the Caribbean island group some 10 years later. The secession plans were agreed at a round table conference with the Netherlands in March 1983--but since then, bitter disputes have broken out over Aruba's future political and economic relationships with the other islands. [Text] [The Hague ANP NEWS BULLETIN in English 18 Jul 84 p 1]

ARUBA RECEIVES EUROPEAN LOAN--Brussels, 18 July--The island of Aruba in the Netherlands Antilles has won a 2,016,000-guilder, 25-year loan from the European Investment Bank at 3 percent, European Community sources said here today. The loan, the second in 2 years, will be used by the Aruban Government to help boost the capital of the Banco Arubano di Desarayo NV (BAD), a government institution which aims to balance the island's development by financing agricultural and industrial projects. Aruba is due to gain separate status from the other five islands in the Caribbean group on 1 January 1986, and is currently at the centre of a bitter dispute over its future political and economic relations with the other islands. The European Investment Bank loaned Aruba 2.116 million guilders in 1982 to increase the capital of the Development Bank of the Netherlands Antilles NV (OBNA), based in Curacao. Because of the secession plans, Aruba is not now participating in OBNA capital, but has set up its own development bank. [Text] [The Hague ANP NEWS BULLETIN in English 19 Jul 84 pp 3-4]

CSO: 3200/39

SURINAME

BRIEFS

OFFICIAL REPORTS FOOD IMPORTS--Central Import Company of Suriname [CIS] Director Cecil Guman made known yesterday that the ship Princess Angela has arrived with a cargo of 23 tons of butter, 34 tons of margarine, and a load of bird seed. Mr Guman is expecting the arrival on Monday of a large shipment of onions, salted beef, potatoes, cheese, and canned milk. On account of the problems that have arisen with the sale of garlic, the government has decided to establish strict sale prices for garlic. The bulk of the onion shipment will be sold directly after unloading through the sales outlets of the Market Inspection and Price Stabilization Service. In connection with the development of the "De Molen" flour company, the CIS intends to import 35,000 sacks of flour.--NVD [National Information Service] [Text] [Paramaribo DE WARE TIJD in Dutch 14 Jul 84 p 1 WA]

CSO: 3214/53

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